



## BUSHBUCKRIDGE LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## General Information

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### LEGAL FORM OF ENTITY

Local Municipality

### NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003

### MAYORAL COMMITTEE

Executive Mayor	Khumalo RE
Speaker	Selowe PT
Chief Whip	Nxumalo CS
Member of Mayoral Committee	Selowe E
Member of Mayoral Committee	Nkuna VB
Member of Mayoral Committee	Timba FS
Member of Mayoral Committee	Siwelani S
Member of Mayoral Committee	Mokoena BT
Member of Mayoral Committee	Malumane L
Service Delivery Committee Chairperson	Makaringe TM
Municipal Public Accounts Committee Chairperson	Makhubela D
Councillors	Bongco PB
	Bulunga SG
	Chabangu MM
	Chadi SM
	Chiloane F
	Chiloane LB
	Godi Z
	Hlathi XE
	Khosa LE
	Khoza EN
	Khumalo S
	Khubayi N
	Lekhuleni ML
	Mabunda NL
	Makhubela BB
	Makhubele RD
	Malandule BW
	Matebe LR
	Matele LS
	Malibe HD
	Malomane LM
	Maphansa PT
	Mashaba DT
	Mashaba ME
	Mashabane DR
	Mashego TD
	Masinga NC
	Mathebula G
	Mathebula M
	Mathebula NL
	Mathebula SS
	Maunye C
	Maunye E

Audited  
By  
2016 -11- 30  
Auditor General South Africa  
Mpumalanga Business Unit

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## General Information

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Mbandze F  
Mhaule LS  
Mmola L  
Mnene F  
Mnisi C  
Mnisi HB  
Mnisi ML  
Mnisi SP  
Mokoena BT  
Mokwena D  
Monareng CP  
Mthabine J  
Mthisi CR  
Mthombeni T  
Myanga BP  
Mzimba VK  
Nkuna M  
Nonyane FS  
Nxumalo TA  
Nyundu EM  
Phelepe MS  
Raganya BR  
Rahlane SN  
Sebashi D  
Sebatane GB  
Seerane A  
Shilakwe MC  
Sibulelelo RS  
Sibuyi TS  
Siwela PF  
Thethe L  
Thobakgale HP  
Tibane C  
Tshobede RD  
Zitha GS

**GRADING OF LOCAL AUTHORITY**

4

**CHIEF FINANCIAL OFFICER (CFO)**

Mrs CA Nkuna

Audited

By

**ACCOUNTING OFFICER**

Mr CJ Lisa

**REGISTERED OFFICE**

R533 Graskop Road  
Bushbuckridge  
1280

2016 -11- 30

**POSTAL ADDRESS**

Private Bag X9308  
Bushbuckridge  
1280

Auditor General South Africa  
Mpumalanga Business Unit

**BANKERS**

First National Bank  
Standard Bank of South Africa

# **BUSHBUCKRIDGE LOCAL MUNICIPALITY**

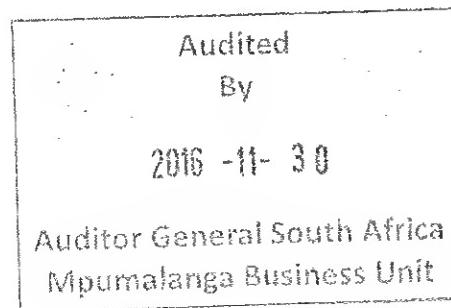
Annual Financial Statements for the year ended 30 June 2016

## **General Information**

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### **AUDITORS**

The Auditor General South Africa (AGSA)



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Index

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The reports and statements set out below comprise the annual financial statements presented to the Council:

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### ABBREVIATIONS

AGSA	Auditor General South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IMATU	Independent Municipal and Allied Trade Union
INEP	Intergrated National Electrification Programme
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSIG	Municipal Systems Improvement Grant
MWIG	Municipal Water Infrastructure Grant
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SARS	South African Revenue Service

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Mpumalanga Business Unit

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

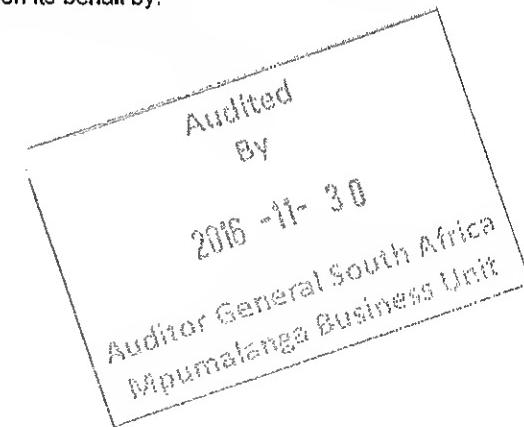
The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficiency.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 7 to 64, which have been prepared on the going concern basis, were approved by the Council on 30 August 2016 and were signed on its behalf by:

  
Mr CJ Liza  
Accounting Officer



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2016.

### AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and meets on a regular basis per annum as per its approved terms of reference. During the current year five meetings were held.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
Roy Mnisi (Chairperson)	4 (Joined 1 October 2013)
Tivetile N Maseko-Mthembu	5 (Joined 1 October 2013)
Andrias B. Ngcobo	2 (Resigned 22 December 2015)
Vincent F. M. Bhengu	3 (Joined 5 December 2015)
August C. Keyser	3 (Joined 3 December 2015)

### AUDIT COMMITTEE RESPONSIBILITY

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of The Auditor-General South Africa, any material deficiencies in the system of internal controls or any deviations therefrom are disclosed in their Audit Report (Other Matters).

### QUALITY OF PERIODIC REPORTS

The audit committee is satisfied with the content and quality of the monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

### EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entity's compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

### INTERNAL AUDIT

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. The external audit reports for risk identification purposes but did not place reliance on the internal audit reports.

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Chairperson of the Audit Committee

Date: \_\_\_\_\_

Audited
By
2016 -11- 30
Auditor General South Africa
Mpumalanga Business Unit

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2016.

### 1. REVIEW OF ACTIVITIES

#### MAIN BUSINESS AND OPERATIONS

The municipality is engaged in provision of municipal services in terms of the Municipal Systems act no.32 of 2000 (MSA) and Municipal Finance Management Act no.56 of 2003 (MFMA) and operates principally in South Africa.

Net surplus of the municipality was 467,972,215 (2015: surplus 318,089,558).

### 2. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. SUBSEQUENT EVENTS

The municipal elections were held on the 3rd of August 2016 which gave rise to new Council being sworn in on the 18th of August 2016. Whilst it is acknowledged that the outgoing councillors were largely responsible for presiding over the financial transactions and any resolutions that were taken during their tenure, there is a possibility that as the audit progresses there may be significant resolutions and judgements taken with the support of the new council. The new council will be responsible for the submission of the annual financial statements, report on performance management and any significant resolutions and judgements made in connection with these reporting statements.

### 4. ACCOUNTING OFFICER'S INTEREST IN CONTRACTS

The Accounting Officer declared his interest in terms of the Supply Chain Management Regulations.

### 5. ACCOUNTING POLICIES

The annual financial statements were prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such statements issued by the Accounting Practices Board as the prescribed framework by National Treasury.

### 6. ACCOUNTING OFFICER

The Accounting Officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr CJ Lisa	South African

### 7. CORPORATE GOVERNANCE

#### GENERAL

The Accounting Officer is committed to business integrity, transparency and professionalism in all activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

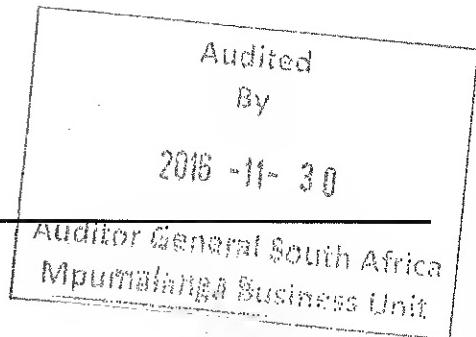
The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Governance Practices and Conduct ("the Code") laid out in the King Report III. The Accounting Officer discusses the responsibilities of management in this respect, at management meetings and monitors the municipality's compliance with the code on a regular basis.

#### INTERNAL AUDIT

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

### 8. BANKERS

The municipality's bankers did not change during the year under review.



# **BUSHBUCKRIDGE LOCAL MUNICIPALITY**

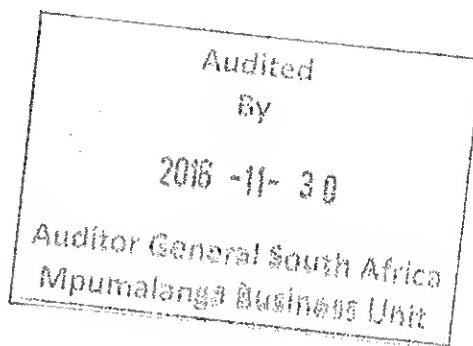
Annual Financial Statements for the year ended 30 June 2016

## **Accounting Officer's Report**

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### **9. AUDITORS**

The Auditor General South Africa (AGSA) will continue to audit the financial affairs of the municipality into the foreseeable future.

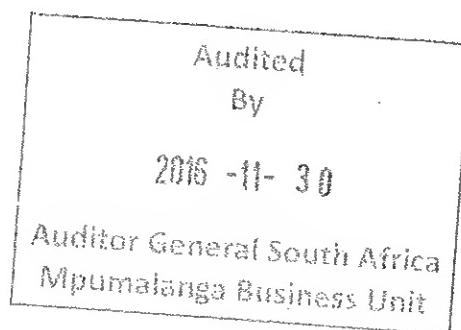


# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Inventories	5	4,782,976	2,429,669
Receivables from non-exchange transactions	6	332,508,714	453,131,111
VAT receivable	7	88,579,205	78,212,956
Receivables from exchange transactions	8	219,242,140	157,101,430
Cash and cash equivalents	9	135,582,717	213,635,338
		<b>780,695,752</b>	<b>904,510,504</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	2,599,878,164	2,147,130,105
Intangible assets	4	982,722	1,685,906
		<b>2,600,860,886</b>	<b>2,148,816,011</b>
<b>Total Assets</b>		<b>3,381,556,638</b>	<b>3,053,326,515</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables from exchange transactions	10	542,171,625	502,342,760
Consumer deposits	11	2,423,025	2,421,260
Provisions	12	58,418,017	58,683,049
Unspent conditional grants and receipts	13	61,456,320	64,767,102
		<b>664,468,987</b>	<b>628,214,171</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liability	14	-	80,787,121
Provisions	12	39,120,176	35,256,500
		<b>39,120,176</b>	<b>116,043,621</b>
<b>Total Liabilities</b>		<b>703,589,163</b>	<b>744,257,792</b>
<b>Net Assets</b>		<b>2,677,967,475</b>	<b>2,309,068,723</b>
Accumulated surplus		<b>2,677,967,475</b>	<b>2,309,068,723</b>



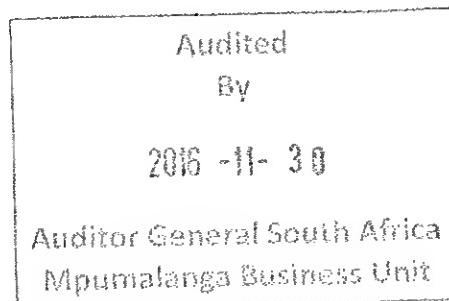
\* See Note 39

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance for the year ending 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	16	31,208,683	32,737,586
Rental of facilities and equipment	17	822,908	883,939
Agency services	18	9,574,719	9,925,851
Licences and permits	19	348,086	157,464
Other income	20	2,681,659	2,246,368
Interest earned	21	114,063,173	9,570,022
<b>Total revenue from exchange transactions</b>		<b>158,699,228</b>	<b>55,521,230</b>
<b>Revenue from non-exchange transactions</b>			
<b>TAXATION REVENUE</b>			
Property rates	22	168,493,460	160,249,805
<b>TRANSFER REVENUE</b>			
Realisation of grants	23	1,081,238,703	896,026,074
Fines and penalties		6,224,388	1,151,980
<b>Total revenue from non-exchange transactions</b>		<b>1,255,956,551</b>	<b>1,057,427,859</b>
<b>Total revenue</b>	15	<b>1,414,655,779</b>	<b>1,112,949,089</b>
<b>Expenditure</b>			
Employee related costs	24	(326,242,396)	(280,187,243)
Remuneration of councillors	25	(25,388,231)	(28,740,025)
Depreciation and emortisation	26	(76,865,599)	(80,059,722)
Finance costs	27	(2,770,676)	(773,599)
Impairment of receivables	28	(114,749,428)	(49,589,427)
Repairs and maintenance	29	(36,295,408)	(31,881,099)
Bulk purchases	30	(206,124,842)	(208,977,289)
Contracted services	31	(42,671,768)	(41,695,112)
Grant funded expenditure	32	(37,066,989)	(14,871,751)
General expenses	33	(77,114,326)	(58,005,728)
<b>Total expenditure</b>		<b>(945,289,663)</b>	<b>(794,780,995)</b>
<b>Operating surplus</b>			
Gain/(Loss) on disposal of assets		469,366,116	318,168,094
Actuarial (losses)/gains		1,072,093	(1,062,536)
		(2,465,994)	984,000
		<b>(1,393,901)</b>	<b>(78,536)</b>
<b>Surplus for the year</b>		<b>467,972,215</b>	<b>318,089,558</b>



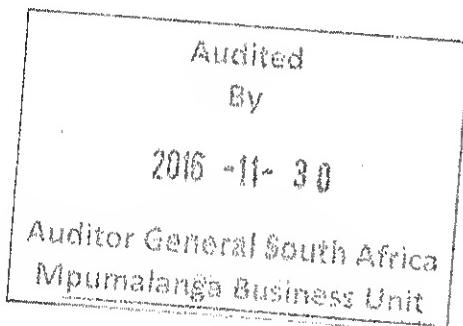
\* See Note 39

## BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

### Statement of Changes in Net Assets as at 30 June 2016

Figures in Rand	Accumulated surplus	Total net assets
Balance as at 30 June 2014	1,683,440,907	1,683,440,907
Prior year adjustments- Refer to Note 39	137,746,387	137,746,387
<b>Restated Balance at 01 July 2014</b>	<b>1,821,187,294</b>	<b>1,821,187,294</b>
Surplus for the year	318,089,558	318,089,558
Total changes	318,089,558	318,089,558
Correction of errors -Note 39	169,791,871	169,791,871
<b>Restated* Balance at 01 July 2015</b>	<b>2,309,068,723</b>	<b>2,309,068,723</b>
Net income (losses) recognised directly in net assets	467,972,215	467,972,215
Surplus for the year	467,972,215	467,972,215
Total recognised income and expenses for the year	(99,073,463)	(99,073,463)
Net Adjustments	368,898,752	368,898,752
Total changes	368,898,752	368,898,752
<b>Balance at 30 June 2016</b>	<b>2,677,967,475</b>	<b>2,677,967,475</b>
Note(s) 39		



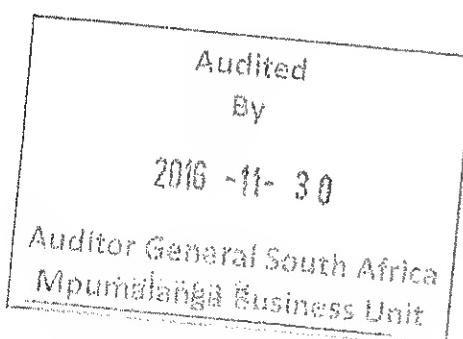
\* See Note 39

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated*
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Receipts from customers		52,637,339	56,892,494
Grants		1,224,711,000	808,621,611
Interest earned		13,803,987	9,570,022
		<u>1,291,152,326</u>	<u>875,084,127</u>
<b>Payments</b>			
Employee costs		(351,630,627)	(308,914,894)
Suppliers		(561,379,324)	(196,684,876)
Finance costs		(2,770,676)	(177,735)
		<u>(915,780,627)</u>	<u>(505,777,505)</u>
<b>Net cash flows from operating activities</b>	<b>35</b>	<b>375,371,699</b>	<b>369,306,622</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	3	(455,021,200)	(308,575,704)
Proceeds from sale of assets	3	1,699,748	713,776
Purchasa of intangible assets	4	(102,868)	(386,853)
<b>Net cash flows from Investing activities</b>		<b>(453,424,320)</b>	<b>(308,248,781)</b>
<b>Net Increase In cash and cash equivalents</b>		<b>(78,052,621)</b>	<b>61,057,841</b>
Cash and cash equivalents at the beginning of the year		213,635,338	152,577,497
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>135,582,717</b>	<b>213,635,338</b>



\* See Note 39

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

*Audited*

*By*

*2016 -11- 30*

*Auditor General South Africa  
Municipal Finance Unit*

## Statement of Comparison of Budget and Actual for the year ending 30 June 2016

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	51,419,000	-	51,419,000	31,208,683	(20,210,317)	1
Rental of facilities and equipment	920,000	40,000	960,000	822,908	(137,092)	
Agency services	9,095,000	-	9,095,000	9,574,719	479,719	
Licences and permits	17,454,000	-	17,454,000	348,086	(17,105,914)	2
Other income	3,977,000	550,000	4,527,000	2,681,659	(1,845,341)	3
Interest earned	7,500,000	6,000,000	13,500,000	13,803,987	303,987	4
Gains on disposal of assets	500,000	-	500,000	-	(500,000)	
Interest on outstanding debtors	19,500,000	-	19,500,000	100,259,186	80,759,186	5
<b>Total revenue from exchange transactions</b>	<b>110,365,000</b>	<b>6,590,000</b>	<b>116,955,000</b>	<b>158,699,228</b>	<b>41,744,228</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	171,866,000	-	171,866,000	168,493,460	(3,372,540)	6
<b>Transfer revenue</b>						
Government grants & subsidies	1,034,745,000	255,033,000	1,289,778,000	1,081,238,703	(208,539,297)	7
Fines, penalties and forfeits	2,500,000	-	2,500,000	6,224,388	3,724,388	8
<b>Total revenue from non-exchange transactions</b>	<b>1,209,111,000</b>	<b>255,033,000</b>	<b>1,464,144,000</b>	<b>1,255,956,551</b>	<b>(208,187,449)</b>	
<b>Total revenue</b>	<b>1,319,476,000</b>	<b>261,623,000</b>	<b>1,581,099,000</b>	<b>1,414,655,779</b>	<b>(166,443,221)</b>	
<b>Expenditure</b>						
Employee costs	(300,295,000)	(23,700,000)	(323,995,000)	(326,242,396)	(2,247,396)	9
Remuneration of councillors	(28,718,000)	(1,950,000)	(30,668,000)	(25,388,231)	5,279,769	10
Depreciation and amortisation	(43,000,000)	-	(43,000,000)	(78,865,599)	(33,865,599)	11
Finance costs	(577,000)	-	(577,000)	(2,770,676)	(2,193,676)	12
Debts impairment	(115,000,000)	-	(115,000,000)	(114,749,428)	250,572	13
Repairs and maintenance	(40,186,000)	(43,741,000)	(83,927,000)	(38,295,408)	47,631,592	14
Bulk purchases	(171,820,000)	-	(171,820,000)	(206,124,842)	(34,304,842)	15
Contracted services	(38,971,000)	3,000,000	(35,971,000)	(42,671,768)	(6,700,768)	16
Transfers and grants	(23,046,000)	-	(23,046,000)	(37,066,989)	(14,020,989)	17
General expenses	(96,947,000)	3,919,000	(93,028,000)	(77,114,326)	15,913,674	18
<b>Total expenditure</b>	<b>(858,560,000)</b>	<b>(62,472,000)</b>	<b>(921,032,000)</b>	<b>(945,289,663)</b>	<b>(24,257,663)</b>	
<b>Operating surplus</b>						
(Loss)/Gain on disposal of assets	460,916,000	199,151,000	660,067,000	469,366,116	(190,700,884)	
Actuarial gains/losses	-	-	-	1,072,093	1,072,093	19
	-	-	-	(2,465,994)	(2,465,994)	20
	-	-	-	(1,393,901)	(1,393,901)	
<b>Surplus before taxation</b>	<b>460,916,000</b>	<b>199,151,000</b>	<b>660,067,000</b>	<b>467,972,215</b>	<b>(192,094,785)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>460,916,000</b>	<b>199,151,000</b>	<b>660,067,000</b>	<b>467,972,215</b>	<b>(192,094,785)</b>	

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual for the year ending 30 June 2016

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	3,783,000	-	3,783,000	4,782,976	999,976	
Receivables from non-exchange transactions	495,000,000	-	495,000,000	332,508,714	(162,491,286)	21
VAT receivable	-	-	-	88,579,205	88,579,205	22
Receivables from exchange transactions	1,350,000,000	-	1,350,000,000	219,242,140	(1,130,757,860)	23
Cash and cash equivalents	237,000,000	-	237,000,000	135,582,717	(101,417,283)	24
	<b>2,085,783,000</b>	<b>-</b>	<b>2,085,783,000</b>	<b>780,695,752</b>	<b>(1,305,087,248)</b>	
<b>Non-Current Assets</b>						
Property, plant and equipment	2,646,800,000	-	2,646,800,000	2,599,878,164	(46,921,836)	25
Intangible assets	4,126,000	-	4,126,000	982,722	(3,143,278)	26
	<b>2,650,926,000</b>	<b>-</b>	<b>2,650,926,000</b>	<b>2,600,860,886</b>	<b>(50,065,114)</b>	
<b>Total Assets</b>	<b>4,736,709,000</b>	<b>-</b>	<b>4,736,709,000</b>	<b>3,381,556,638</b>	<b>(1,355,152,362)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Payables from exchange transactions	454,000,000	(45,000,000)	409,000,000	542,171,622	133,171,622	27
Consumer deposits	2,411,000	-	2,411,000	2,423,025	12,025	
Unspent conditional grants and receipts	-	-	-	61,456,320	61,456,320	28
Provisions	-	-	-	58,418,017	58,418,017	29
	<b>456,411,000</b>	<b>(45,000,000)</b>	<b>411,411,000</b>	<b>664,468,984</b>	<b>253,057,984</b>	
<b>Non-Current Liabilities</b>						
Provisions	16,231,000	-	16,231,000	39,120,178	22,889,176	29
<b>Total Liabilities</b>	<b>472,642,000</b>	<b>(45,000,000)</b>	<b>427,642,000</b>	<b>703,589,160</b>	<b>275,947,160</b>	
<b>Net Assets</b>	<b>4,264,067,000</b>	<b>45,000,000</b>	<b>4,309,067,000</b>	<b>2,677,967,478</b>	<b>(1,631,099,522)</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Accumulated surplus	4,264,067,000	45,000,000	4,309,067,000	2,677,987,478	(1,631,099,522)	

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# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual for the year ending 30 June 2016

### Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Receipts	125,410,000	-	125,410,000	52,637,339	(72,772,681)	30
Grants	1,034,745,000	67,402,000	1,102,147,000	1,224,711,000	122,564,000	31
Interest income	-	-	-	13,803,987	13,803,987	32
	<b>1,160,155,000</b>	<b>67,402,000</b>	<b>1,227,557,000</b>	<b>1,291,152,326</b>	<b>63,595,326</b>	
<b>Payments</b>						
Suppliers and employee costs	(674,938,000)	(49,472,000)	(724,410,000)	(913,009,950)	(188,599,950)	33
Finance costs	(577,000)	-	(577,000)	(2,770,676)	(2,193,676)	34
Other payments	(23,046,000)	-	(23,046,000)	-	23,046,000	
	<b>(698,561,000)</b>	<b>(49,472,000)</b>	<b>(748,033,000)</b>	<b>(915,780,626)</b>	<b>(167,747,626)</b>	
<b>Net cash flows from operating activities</b>	<b>461,594,000</b>	<b>17,930,000</b>	<b>479,524,000</b>	<b>375,371,700</b>	<b>(104,152,300)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(460,915,000)	(12,000,000)	(472,915,000)	(455,124,068)	17,790,932	35
Proceeds from sale of property, plant and equipment & intangible assets	500,000	-	500,000	1,699,747	1,199,747	
<b>Net cash flows from investing activities</b>	<b>(460,415,000)</b>	<b>(12,000,000)</b>	<b>(472,415,000)</b>	<b>(453,424,321)</b>	<b>18,990,679</b>	
Net increase/(decrease) in cash and cash equivalents	1,179,000	5,930,000	7,109,000	(78,052,621)	(85,161,621)	
Cash and cash equivalents at the beginning of the year	173,000,000	-	173,000,000	213,635,338	40,635,338	
<b>Cash and cash equivalents at the end of the year</b>	<b>174,179,000</b>	<b>5,930,000</b>	<b>180,109,000</b>	<b>135,582,717</b>	<b>(44,526,283)</b>	

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# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual for the year ending 30 June 2016

### Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
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1. Service charges: due to a considerable number of faulty meters and inaccessibility among other issues in most areas within the municipality, billing was not done as anticipated.
2. Licence and permits: the municipality had anticipated to open more Licensing and Testing centres during the year.
3. Other income: there was less application fees on clearance certificates and approval of plans in the current period than anticipated during the budget preparation.
4. Interest received : this was mainly due to positive bank balances being maintained throughout the year.
5. Interest on outstanding debtors: due to the slow payment of debtors the municipality realised an increase in interest on outstanding balances.
6. Property rates: the municipality could not bill rates as anticipated as there was a decrease in commercial properties, public benefit organisations, state properties.
7. Realisation of grants: this was mainly due to the transfer of funds by National Treasury for Equitable Share withheld in the 2014/15 due to the debt between the municipality and Rand Water for bulk purchases.
8. Fines: the variance is due to more fines issued as a new service provider was appointed in the year under review resulting in an increase in the fines.
9. Employee related costs: the variance was due to the increased approved organogram to cater for vacant positions as well as overtime, shift and standby allowances.
10. Remuneration of councillors: the upper limits were implemented as directed by SALGA.
11. Depreciation: the increased asset values due to assets valuation led to an increase in depreciation.
12. Finance costs: this due to the increase in interest portion for long service and landfill sites than anticipated.
13. Impairment of receivables: the increase in debtors balances as well as slow payment on municipal accounts led to the increase in impairments.
14. Repairs and maintenance: there was a significant decrease in the maintenance costs for the municipality due to cost curtailment.
15. Bulk purchases: this was to ensure the community has access to water to fulfil the municipal mandate as is required by the constitution. A significant number of villages were reticulated during the year under review.
16. Contracted Services: there was an increase in insurance costs as well as the security services to ensure the assets of the municipality are preserved. Security had to be revamped to ensure no recurrent break ins.
17. Transfers and subsidies: the implementation of the indigent register during the current year gave rise to the increased actual funds spent than anticipated during the budgeting period..
18. General expenditure: there was a reduction in expenditure due to cost curtailment.
19. Gain on disposal of assets: there was no anticipation on the sale of assets in the current year hence no budget for it.
20. Actuarial gains: the council approved the policy for long service awards in the prior year and all the payments were done in the current year addressing retrospective approval.
21. Receivable from non exchange: there was a write off of debtors with no movement during the year and an increase in impairment which gave rise to substantial variance.
22. VAT receivable: this was a result of proper application controls to ensure accuracy on both input and output VAT.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual for the year ending 30 June 2016

### Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
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23. Receivable from exchange transactions : there was data cleansing during the year under review and an assessment of payment patterns for each debtor was conducted and significant impairment adjustments were done to the gross debtors amounts.
24. Cash and cash equivalents: there was spending in the allocated conditional grants as well as the repayments of Rand Water debt significantly led to the reduction in cash position.
25. Property, plant and equipment : Assets valuation on the opening balances on work in progress and infrastructure assets was conducted and this led to the variance in Property, Plant and Equipment.
26. Intangible assets: the budget was drawn on the basis of the acquisition of the mSCOA software to ensure the municipality become compliant, this did not transpire during the year hence the variance.
27. Payables from exchange transactions: the municipality settled long outstanding creditors including the Rand Water debt leading to the reduction in accounts payable.
28. Unspent grants: there was no expectation of a rollover for grants. The municipality received the allocation in March 2016.
29. Provisions: the increase is due to the 2014/15 Council approval of the long service award policy and the implementation thereof. Payments for those who achieved the milestones were made during this current year.
30. Receipts from customers: the anticipated collections from government departments and other customers didn't take place during the year. The debt collector was appointed late and collections are likely to increase in the 2016/17 year.
31. Grants: this was a result of full utilisation of all the grants which were allocated timeously to the municipality. These include the conditional grants as well as Equitable Share.
32. Interest income: interest billing was not anticipated at the time of the budget hence the exclusion.
33. Supplier and employee costs: the variance is due to increased expenditure in the year under review and payments made in the settlement of creditors, including the payment of the Rand Water balance as per settlement agreement as well as catering for the implementation of upper limits as per SALGA.
34. Finance costs: a significant current interest cost was incurred due to inflation increase and other variables.  
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35. Purchase of property plant and equipment: current year additions was due to the slow spending of grants during the year under review.

### REASONS FOR AN ADJUSTMENT BUDGET:

The budget was adjusted for the following reasons;

- a) Grants income- the upward revision is a result of the rollover approval by National treasury as well as the Equitable share transfer for 2014/15 transferred in March 2016.
- b) Employee cost- the upward revision was to cater for the revised approved organogram and payment of long service wards bonus for qualifying employees.
- c) Remuneration of councillors- the upward revision of the budget was a resultant of the approval of the upper limits.
- d) Other materials-the upward revision was as a result of the purchase of materials required for repairs and maintenance programmes for street, borehole and sewer pipes.
- e) General expenses - the upward revision is mainly on the following functions: fuel, data cleansing and skills audit.

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# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies for the year ending 30 June 2016

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of annual financial statements, is disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and are rounded off to the nearest one rand..

#### 1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Impairment of trade and other receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The calculation in respect of the impairment of debtors is based on assessment of the extent to which debtors have defaulted on payments already due to uncertainty surrounding the recoverability of the outstanding amount. This was performed per debtor.

The impairment of trade receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amount. Debtors are graded on the following basis:

Grade A: No provision. Customer payments are up to date. There is no balance in arrears.

Grade B: 100% of balance outstanding in excess of 90 days: Customers with a payment history but with balances outstanding in excess of 90 days. The balance outstanding in excess of 90 days is provided for in full.

Grade C: 100% of total balance outstanding on account. Customers with no payment history. Accounts are considered to be delinquent. The balance is provided for in full (100% of the amount outstanding).

Government debtors are excluded from provision calculation as they generally have a history of meeting their obligations.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions are included in note 12 - Provisions.

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## **BUSHBUCKRIDGE LOCAL MUNICIPALITY**

Annual Financial Statements for the year ended 30 June 2016

### **Accounting Policies for the year ending 30 June 2016**

#### **1.3 Significant judgements and sources of estimation uncertainty (continued)**

##### **Useful lives of waste water and water network assets and other assets**

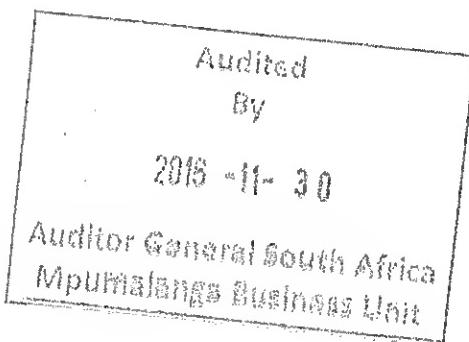
The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

##### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

##### **Depreciation and carrying value of items of property, plant and equipment**

The estimation of the useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies for the year ending 30 June 2016

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### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for work in progress which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Community Assets	Straight line	3-82 years
Buildings	Straight line	3-41 years
Infrastructure Assets	Straight line	2-100 years
Other Assets	Straight line	1-60 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies for the year ending 30 June 2016

### 1.4 Property, plant and equipment (continued)

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cashflow statement.

### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	5 years

### 1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A financial asset is:

- cash; or
- receivables.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies for the year ending 30 June 2016**

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### **1.6 Financial instruments (continued)**

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

#### **Classification**

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Receivables	Financial asset measured at amortised cost
Cash	Fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<b>Class</b>	<b>Category</b>
Payables from exchange transactions	Financial liability measured at amortised cost

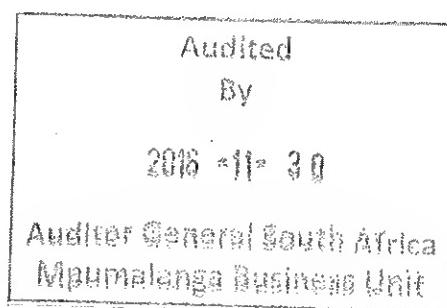
#### **Initial recognition**

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

#### **Initial measurement of financial assets and financial liabilities**

The municipality recognises a financial asset or a liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies for the year ending 30 June 2016

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### 1.6 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

##### Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

##### Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Derecognition

##### Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

##### Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies for the year ending 30 June 2016

### 1.6 Financial instruments (continued)

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash that are held with registered banking institutions and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Trade payables

Trade payables are measured at fair value.

Liabilities for annual leave (accrued leave) and annual bonus are recognised as they accrue to employees. Accrual is based on potential liability to the municipality.

#### Receivables

Receivables are measured at fair value.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

Amounts receivable within 12 months from date of reporting are classified as current.

### 1.7 Leases

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.8 Inventories

Inventories consist of raw materials, water and consumables.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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# BUSHBUCKRIDGE LOCAL MUNICIPALITY

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### 1.8 Inventories (continued)

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

### 1.10 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies for the year ending 30 June 2016

### **1.10 Impairment of non-cash-generating assets (continued)**

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

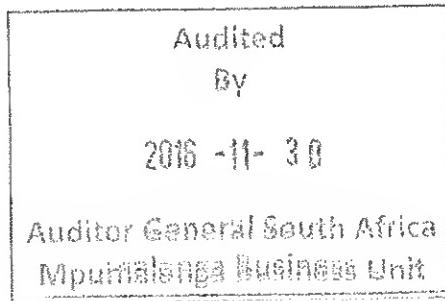
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies for the year ending 30 June 2016

### **1.10 Impairment of non-cash-generating assets (continued)**

#### **Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets' remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

#### **Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### **Restoration cost approach**

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### **Service units approach**

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

#### **Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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### 1.11 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an a municipality pays post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Post-employment benefits: defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

The municipality does not have any post employment benefits.

### 1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies for the year ending 30 June 2016

### 1.12 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

### 1.13 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date.

Approved and contracted commitments represent expenditure that has been approved and the contract awarded at the reporting date.

Approved and not yet contracted commitments represent the expenditure that has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.

Commitments are disclosed in the financial statements if they meet the following criteria:

- the underlying contracts are non-cancellable or only cancellable at significant cost; and
- contracts relate to non-routine transactions.

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are shown in the disclosure notes to the extent that such amounts have not been recorded in the financial statements. Commitments disclosed in the notes to the financial statements represent the aggregate amount of the capital and current expenditure at the reporting date.

### 1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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## Accounting Policies for the year ending 30 June 2016

### **1.14 Revenue from exchange transactions (continued)**

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### **Service charges**

**Water** - charges relating to the distribution of water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates on the consumption history are made on a monthly basis when meter readings have not been performed. Approved tariffs are levied on different categories of property on a monthly basis.

**Refuse** - refuse removal is recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and levied on a monthly basis.

**Sewerage and sanitation** - charges are based on the type of service and the number of sewer connections on all developed property using the approved tariffs.

**Agency service** - income from agency is recognised on a monthly basis once the income collected on behalf of agents is earned. The income is recognised in terms of the agency agreement.

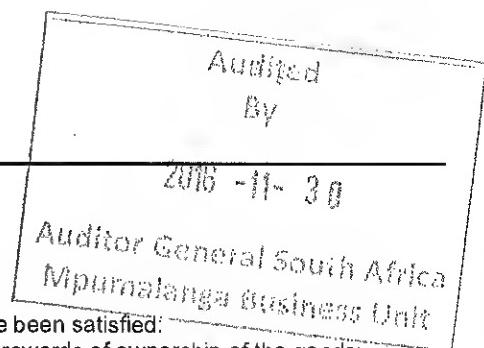
### **1.15 Revenue from non-exchange transactions**

Non-exchange transactions are defined as transactions where the municipality receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions includes property rates levied, fines, donations and grants from other spheres of government.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.



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### 1.15 Revenue from non-exchange transactions (continued)

Exchange transactions are transactions in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by the municipality, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. Fines are recognised on the issuance of a ticket.

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents is earned. The income is recognised in terms of the agency agreement.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Rates, Including collection charges and penalties Interest

Revenue from rates including collection charges and penalty interest is recognised on a monthly basis when taxes are levied as this is regarded to be the date when:

- it is probable that the economic benefits or service potential associated with the transactions will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

A composite rating system charging different rates tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

#### Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

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### 1.15 Revenue from non-exchange transactions (continued)

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Government grants

##### Unconditional grants and receipt

Revenue from unconditional grants is recognised when it is probable that economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional there are no attached stipulations and the grants are recognised as revenue or, if the recognition criteria has been met, as assets in the reporting period in which they are received or receivable.

##### Conditional grants and receipts.

Revenue from conditional grants is recognised as revenue when:

- it is probable that economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned from funds deposited in call accounts is treated in accordance with grant conditions. If the interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the Statement of Financial Performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Gifts and donations, including goods in-kind

Gifts and donations, including goods-in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible officials is virtually certain.

### 1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and

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### 1.18 Unauthorised expenditure (continued)

- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt Impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.21 Distribution losses

Distribution losses are calculated as the difference between water consumed and billed, water freely given to the community and water purchased.

### 1.22 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies for the year ending 30 June 2016

### 1.22 Expenditure (continued)

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of Budget and Actual amounts.

### 1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.25 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value. Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

Major expense items disclosed in the Statement of Financial Performance include;

- Repairs and maintenance – inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities.
- Bulk purchases – expenditure on the procurement of bulk water.
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies for the year ending 30 June 2016

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### 1.25 Expenditure (continued)

- **Transfers and grants** which relate to expenditure pertaining to free basic services and general expenses which constitute several expense items which are not individually significant.
- **Write downs** of inventory and decreases in fair values of financial instruments classified as held at fair value.
- **Losses on the disposal** of non-current assets are reported separately from expenses in the Statement of Financial Performance.

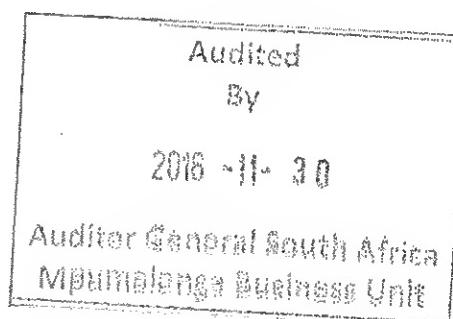
An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

### 1.26 Value Added Tax

The municipality accounts for Value Added Tax on a payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991). The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

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### 2. NEW STANDARDS AND INTERPRETATIONS

#### 2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the municipality has adopted all the applicable standards and interpretations that are effective for the current financial year and that are relevant to its operations.

#### 2.2 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

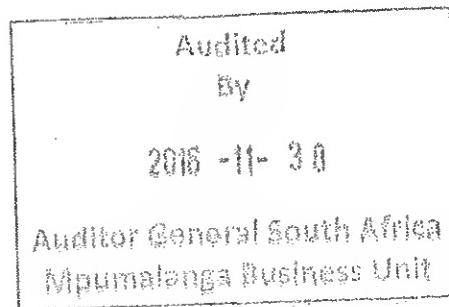
The expected impact of the below standards cannot be determined accurately (impracticable) as there are no systems, processes and procedures in place to determine such amounts. These will be developed and implemented once standards become effective.

##### Standard/ Interpretation:

##### Effective date:

Years beginning on or  
after

- |  |               |
|--|---------------|
| • GRAP 18: Segment Reporting   | 01 April 2017 |
| • GRAP 20: Related parties   | 01 April 2017 |
| • GRAP 109: Accounting by Principals and Agents  | 01 April 2017 |
| • GRAP 21 (as amended 2015): Impairment of non-cash- generating assets                 | 01 April 2017 |
| • GRAP 26 (as amended 2015): Impairment of cash- generating assets                     | 01 April 2017 |
| • Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities | 01 April 2018 |



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements for the year ended 30 June 2016

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### 3. PROPERTY, PLANT AND EQUIPMENT

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	242,324,311	-	242,324,311	242,324,311	-	242,324,311
Buildings	72,540,176	(16,711,892)	55,828,284	72,233,956	(11,132,143)	61,101,813
Infrastructure	1,818,816,611	(168,200,497)	1,650,616,114	1,544,314,655	(116,383,579)	1,427,931,076
Community	156,919,518	(34,974,505)	121,945,013	152,938,481	(23,298,740)	129,639,741
Other property, plant and equipment	61,864,408	(35,619,434)	26,244,974	46,924,126	(28,899,467)	18,024,659
Work in progress	498,894,332	-	498,894,332	268,108,505	-	268,108,505
Other Assets (WIP)	4,025,136	-	4,025,136	-	-	-
<b>Total</b>	<b>2,855,384,492</b>	<b>(255,506,328)</b>	<b>2,599,878,164</b>	<b>2,326,844,034</b>	<b>(179,713,929)</b>	<b>2,147,130,105</b>

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2016

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	242,324,311	-	-	-	-	242,324,311
Buildings	61,101,813	309,180	(2,678)	-	(5,580,031)	55,828,284
Infrastructure	1,427,931,076	8,653,280	(597,356)	266,616,983	(51,987,869)	1,650,618,114
Community	129,639,741	-	-	3,981,037	(11,675,765)	121,945,013
Other property, plant and equipment	18,024,659	15,063,818	(27,621)	-	(6,815,882)	26,244,974
Work in progress	268,108,505	501,383,847	-	(270,598,020)	-	498,894,332
Other Assets (WIP)	-	4,025,136	-	-	-	4,025,136
<b>Total</b>	<b>2,147,130,105</b>	<b>529,435,261</b>	<b>(627,655)</b>	<b>-</b>	<b>(76,059,547)</b>	<b>2,599,878,164</b>

### RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2015

	Opening balance	Additions	Disposals	Other adjustments	Other changes, movements	Depreciation	Total
Land	242,324,311	-	-	-	-	-	242,324,311
Buildings	66,660,270	-	-	-	-	(5,558,457)	61,101,81
Infrastructure	1,483,977,465	-	-	-	-	(56,046,389)	1,427,931,07
Community	141,273,175	-	-	-	-	(11,633,434)	129,639,74
Other property, plant and equipment	14,796,721	8,333,480	(29,854)	-	968,308	(6,043,996)	18,024,65
Work in progress	92,843,488	300,991,122	-	(125,726,105)	-	-	268,108,50
<b>Total</b>	<b>2,041,875,430</b>	<b>309,324,602</b>	<b>(29,854)</b>	<b>(125,726,105)</b>	<b>968,308</b>	<b>(79,282,276)</b>	<b>2,147,130,10</b>

### PLEDGED AS SECURITY

None of the tangible assets were pledged as security during the current or previous financial year.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

By

2016 -11- 30

Auditor General South Africa  
Republieklike Nasionale Raad

## BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements for the year ended 30 June 2016

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#### 4. INTANGIBLE ASSETS

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	4,023,704	(3,040,982)	982,722	3,920,836	(2,234,930)	1,685,906

#### RECONCILIATION OF INTANGIBLE ASSETS -30 JUNE 2016

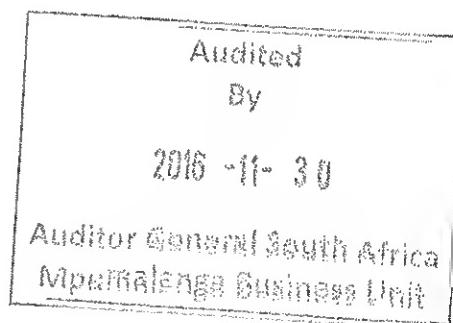
	Opening balance	Additions	Amortisation	Total
Computer software	1,685,906	102,868	(806,052)	982,722

#### RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2015

	Opening balance	Additions	Amortisation	Total
Computer software	2,075,365	386,853	(776,312)	1,685,906

#### PLEDGED AS SECURITY

None of the intangible assets were pledged as security during the current or previous financial year.



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>5. INVENTORIES</b>		
Inventories (consumables)	4,365,455	2,208,026
Water	360,567	221,643
Water chemicals	56,954	-
	<b>4,782,976</b>	<b>2,429,669</b>

### INVENTORY PLEDGED AS SECURITY

None of the inventory was pledged as security during the year or the previous financial year.

### 6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Eskom deposits	1,579,492	1,272,575
Fines	4,355,300	1,415,545
Grants withheld	-	147,831,000
Other receivables	26,240	26,240
Property rates	<b>326,547,682</b>	<b>302,785,751</b>
	<b>332,508,714</b>	<b>453,131,111</b>

### RECEIVABLES FROM NON - EXCHANGE TRANSACTIONS

None of the receivables from non-exchange transactions were pledged as security during the current or previous financial year.

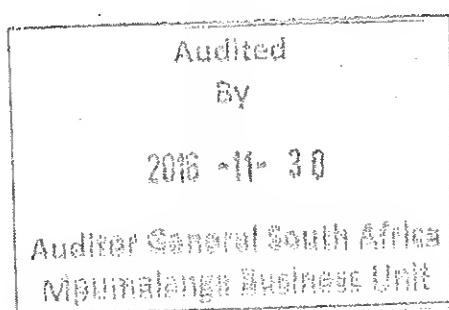
#### ESKOM DEPOSITS

> 150 days	1,568,092	1,261,175
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#### FINES

The ageing of amounts past due but not impaired is as follows:

Gross balances	8,888,628	2,889,128
Provision for impairment	(4,533,328)	(1,473,583)
	<b>4,355,300</b>	<b>1,415,545</b>
<b>Net balance</b>		
0-30 days	930,962	-
31-60 days	94,398	-
61-90 days	1,040,246	-
91-120 days	710,460	-
121-150 days	1,207,663	501,031
>151 days	371,571	914,514
	<b>4,355,300</b>	<b>1,415,545</b>



#### PROPERTY RATES

Gross balances	607,421,154	534,386,610
Provision for impairment	(280,873,473)	(231,600,859)
	<b>326,547,681</b>	<b>302,785,751</b>
(0-30 days)	4,067,443	(299,713,521)
31-60 days	4,949,081	(10,058,828)
61-90 days	4,784,511	801,829
91-120 days	4,871,270	(500,233)
121-150 days	5,345,392	288,206,930
>151 days	<b>302,529,984</b>	<b>324,049,574</b>
	<b>326,547,681</b>	<b>302,785,751</b>

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

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### 6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

#### RECONCILIATION OF PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Opening balance	231,600,859	179,819,696
Provision for impairment	49,272,613	51,781,163
	<u>280,873,472</u>	<u>231,600,859</u>

### 7. VAT RECEIVABLE

VAT	<u>88,579,205</u>	<u>78,212,956</u>
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#### VAT RECEIVABLE CONSISTS OF THE FOLLOWING;

V.A.T. CONTROL ACCOUNT	6,796,670	33,070,024
VAT OUTPUT PROVISION	(31,245,900)	(30,311,189)
VAT INPUT PROVISION	113,028,435	75,454,121
	<u>88,579,205</u>	<u>78,212,956</u>

VAT is accounted for on a payments basis.

### 8. RECEIVABLES FROM EXCHANGE TRANSACTIONS

#### GROSS BALANCES

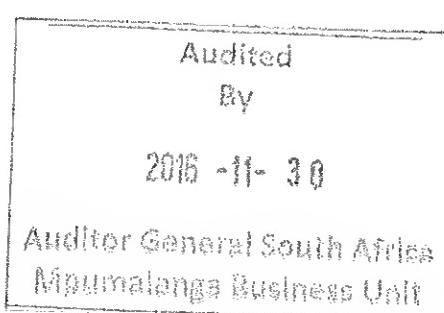
Water	178,831,058	165,213,779
Sewerage	26,102,785	22,683,017
Refuse	36,494,627	29,860,166
Rental	82,400	36,930
Interest	100,580,722	-
Housing	2,601,804	2,601,804
Other	46,543,969	46,483,888
	<u>391,237,363</u>	<u>266,679,584</u>

#### LESS: ALLOWANCE FOR IMPAIRMENT

Water	(81,815,793)	(71,602,942)
Sewerage	(12,070,011)	(9,830,722)
Refuse	(16,875,231)	(12,854,588)
Rental	(38,102)	-
Interest	(46,508,846)	-
Housing	(1,203,082)	(1,127,611)
Other	(13,484,158)	(14,162,291)
	<u>(171,995,223)</u>	<u>(109,578,154)</u>

#### NET BALANCE

Water	97,015,263	93,610,837
Sewerage	14,032,774	12,852,295
Refuse	19,619,396	16,805,578
Rental	44,298	36,930
Interest	54,071,876	-
Housing debtors	1,398,722	1,474,193
Other	33,059,811	32,321,597
	<u>219,242,140</u>	<u>157,101,430</u>



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

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### 8. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

#### WATER

Current (0 -30 days)	3,079,812	394,816
31 - 60 days	1,441,621	57,430
61 - 90 days	1,393,683	668,286
91 - 120 days	1,418,955	2,583,179
121 - 365 days	1,557,062	2,054,854
> 365 days	88,124,130	87,872,272
	<b>97,015,263</b>	<b>93,610,837</b>

#### SEWERAGE

Current (0 -30 days)	174,791	135,857
31 - 60 days	212,677	145,697
61 - 90 days	205,605	164,392
91 - 120 days	209,334	227,614
121 - 365 days	229,708	351,115
> 365 days	13,000,659	11,827,620
	<b>14,032,774</b>	<b>12,852,295</b>

#### REFUSE

Current (0 -30 days)	244,377	297,107
31 - 60 days	297,347	305,977
61 - 90 days	287,459	287,857
91 - 120 days	292,672	162,607
121 - 385 days	321,158	66,682
> 365 days	18,176,383	15,705,368
	<b>19,619,396</b>	<b>16,805,578</b>

#### RENTAL DEBTORS

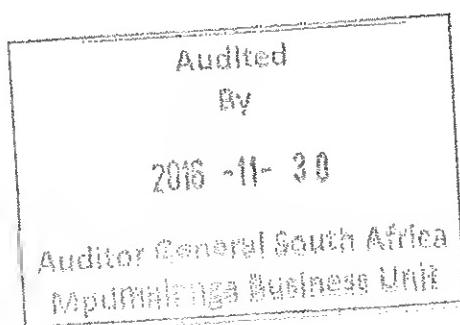
Current (0 -30 days)	552	-
31 - 60 days	671	-
61 - 90 days	649	-
91 - 120 days	661	-
121 - 365 days	725	-
> 365 days	41,040	36,930
	<b>44,298</b>	<b>36,930</b>

#### INTEREST

Current (0 -30 days)	673,514	-
31 - 60 days	819,501	-
61 - 90 days	792,250	-
91 - 120 days	806,616	-
121 - 365 days	885,125	-
> 365 days	50,094,870	-
	<b>54,071,876</b>	<b>-</b>

#### HOUSING DEBTORS

> 365 days	<b>1,398,722</b>	<b>1,474,193</b>
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# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

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### 8. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

#### OTHER (SPECIFY)

Current (0 -30 days)	2,989,090	444,239
31 - 60 days	237,595	1,340,960
61 - 90 days	229,695	(25,267)
91 - 120 days	233,860	432
121 - 365 days	256,621	3,342
> 365 days	29,112,950	30,557,891
	<u>33,059,811</u>	<u>32,321,597</u>

### SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION

#### HOUSEHOLDS AND OTHER

Current (0 -30 days)	7,562,563	(17,062,596)
31 - 60 days	6,156,332	3,265,032
61 - 90 days	5,928,668	3,494,204
91 - 120 days	6,219,153	5,598,709
121 - 365 days	8,574,078	4,942,991
> 365 days	294,686,250	267,358,107
	<u>327,127,042</u>	<u>267,596,447</u>

#### COMMERCIAL

Current (0 -30 days)	3,091,856	1,301,895
31 - 60 days	3,615,221	1,394,451
61 - 90 days	3,326,828	2,578,424
91 - 120 days	3,299,019	4,075,577
121 - 365 days	3,740,505	4,037,883
> 365 days	111,650,479	102,356,881
	<u>128,623,908</u>	<u>115,744,911</u>

#### GOVERNMENT

Current (0 -30 days)	3,439,645	(510,826,083)
31 - 60 days	5,171,713	(19,096,444)
61 - 90 days	5,094,194	(2,709,052)
91 - 120 days	5,091,722	(5,293,241)
121 - 365 days	5,717,297	504,096,106
> 365 days	501,010,067	437,747,168
	<u>525,524,638</u>	<u>403,918,454</u>

#### TOTAL

Current (0 -30 days)	14,094,064	(526,586,783)
31 - 60 days	14,843,266	(14,436,961)
61 - 90 days	14,349,689	3,363,576
91 - 120 days	14,609,895	4,381,045
121 - 365 days	16,031,880	513,076,980
> 365 days	907,346,793	807,461,956
	<u>981,275,587</u>	<u>787,259,813</u>

### RECEIVABLES PLEDGED AS SECURITY

No receivables were pledged as security for any facilities.

### RECEIVABLES PAST DUE BUT NOT IMPAIRED

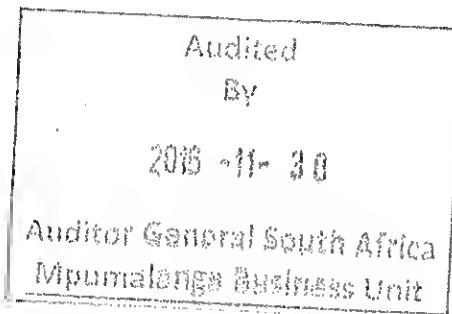
Government debtors past due were not impaired due to their nature and that they generally meet their obligations.

## BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
8. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
RECONCILIATION OF PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Opening balance	109,578,154	88,267,044
Provision for impairment	62,417,069	21,311,110
	<u>171,995,223</u>	<u>109,578,154</u>



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>9. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of:		
Cash on hand	96,089	195,970
Current account balances	68,886,465	14,558,273
Call account balances	66,600,163	198,881,095
	<b>135,582,717</b>	<b>213,635,338</b>

### THE MUNICIPALITY HAD THE FOLLOWING BANK ACCOUNTS

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB BANK - 7000/7010	611,026	7,211,165	389,972	611,026	7,131,313	314,085
FNB BANK - 7000/7020	2,873,878	5,065,478	4,134,672	2,873,878	5,065,478	4,134,672
FNB BANK - 7000/7030	62,473,930	193,517,911	91,433,539	62,473,930	193,517,911	91,433,539
Standard Bank - 7000/7040	68,275,439	7,426,960	56,537,124	68,275,439	7,426,960	56,537,124
FNB BANK - 7000/7070	1,252,355	297,706	44,605	1,252,355	297,708	44,605
Total	<b>135,486,628</b>	<b>213,519,220</b>	<b>152,539,912</b>	<b>135,486,628</b>	<b>213,439,368</b>	<b>152,464,025</b>

### 10. PAYABLES FROM EXCHANGE TRANSACTIONS

	Bank statement balances	Cash book balances
Trade payables		245,937,264
Retention creditors		73,412,721
Suratry		2,624,778
Other payables		10,576,090
Accrued bonus		8,698,378
Sundry creditors		116,090,365
Project accruals		84,832,029
	<b>542,171,625</b>	<b>502,342,760</b>

### RAND WATER HISTORICAL DEBT

Following the dispute regarding outstanding amounts between the municipality and Rand Water, the parties have agreed to the waiver of 40% of the outstanding debt amounting to R137 144 440, on the basis that going forward, no further disputes will be entered into regarding previously raised billing statements relating to the period prior April 2014.

The municipality, according to its cashflow projections and budgets, expects to be able to meet these quarterly commitments and payments as they fall due. The municipality has not defaulted on its payments.

The amount amounting to R80 787 121 is payable on quarterly basis as follows:

Date/Quarter	Audited	By	
30 September 2015			- 19,929,538
31 December 2015			- 35,000,000
31 March 2016			- 35,000,000
30 June 2016			- 35,000,000
30 September 2016			35,000,000 35,000,000
31 December 2016			35,000,000 35,000,000
31 March 2017			10,787,121 10,787,121
			<b>80,787,121</b> <b>205,716,659</b>

### 11. CONSUMER DEPOSITS

Water	2,423,025	2,421,260
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## BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

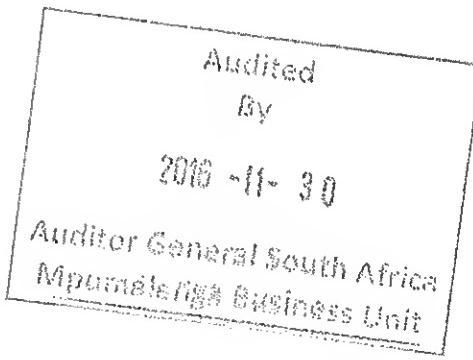
### Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

#### 12. PROVISIONS

##### RECONCILIATION OF PROVISIONS - 30 JUNE 2016

	Opening Balance	Additions	Utilised during the year	Actuarial (gain) loss	Change in discount factor	Total
Environmental rehabilitation provision	16,736,500	602,304	-	-	509,372	17,848,176
Leave provision	27,300,512	(978,032)	-	-	-	26,322,480
Long service awards	20,834,000	3,767,000	(2,767,994)	2,465,994	-	24,299,000
Provision for bulk purchases	29,068,537	-	-	-	-	29,068,537
	<b>93,939,549</b>	<b>3,391,272</b>	<b>(2,767,994)</b>	<b>2,465,994</b>	<b>509,372</b>	<b>97,538,193</b>



## BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

### Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

#### 12. PROVISIONS (continued)

##### RECONCILIATION OF PROVISIONS - 30 JUNE 2015

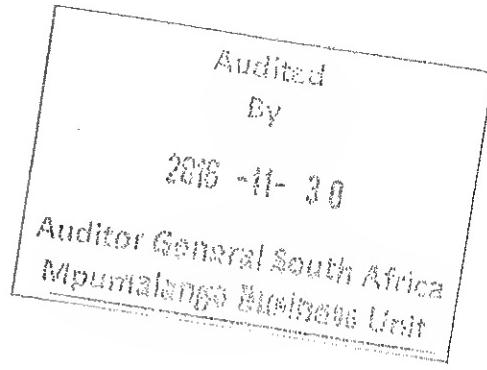
	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation provision	19,559,901	-	-	(2,823,401)	-	16,736,500
Leave provision	20,940,378	6,360,134	-	-	-	27,300,512
Long service awards	19,801,000	3,597,000	(1,580,000)	-	(984,000)	20,834,000
Provision for bulk purchases	-	29,068,537	-	-	-	29,068,537
	<b>60,301,279</b>	<b>39,025,671</b>	<b>(1,580,000)</b>	<b>(2,823,401)</b>	<b>(984,000)</b>	<b>93,939,549</b>
Non-current liabilities	39,120,176	35,256,500				
Current liabilities	58,418,017	58,683,049				
	<b>97,538,193</b>	<b>93,939,549</b>				

##### ENVIRONMENTAL REHABILITATION PROVISION

The municipality has an obligation to rehabilitate the landfill sites in the Bushbuckridge municipal area.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. It is carried at the amortised cost.

The rehabilitation costs were determined by OnePangea, who are qualified and experienced engineers.



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
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### 12. PROVISIONS (continued)

#### LONG SERVICE AWARDS

Long service awards consist of an obligation to pay out a bonus in the year of the employee attaining the required length of service. The obligation presents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the municipality's current policy.

The municipality offers long service bonuses for every five(5) years of continuous service completed, starting from ten(10) years to forty-five(45) years. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially settled in cash.

The key assumption used in the valuation:

- Discount rate 8.30% (2015:8.80%)
- CPI 6.10% (2015:6.51%)
- Salary increase rate 7.10% (2015:7.51%)
- Net Discount rate 1.24% (2015:1.20%)
- Mortality SA85-90 (2015:SA85-90)

The actuarial valuation of the long service awards accrued liability was carried out by D.T. Mureriwa, a fellow of the Institute of Actuaries.

#### Movement for the year

Opening balance

Service cost

Interest cost

Bonus paid

Actuarial (gains) loss

Audited	20,834,000
By	2,108,000
2016 -11- 30	1,659,000
	(2,767,994)
	2,465,994
	<b>24,299,000</b>

Auditor General South Africa  
Mzumkeleni Business Unit

### 13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

UNSPENT CONDITIONAL GRANTS AND RECEIPTS COMPRISSES OF:

#### UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Municipal Infrastructure Grant	-	32,235,123
Department of Water Affairs Grant	-	16,941,070
Integrated National Electrification Programme	1,175,895	1,707,581
Municipal Disaster Grant	-	1,782,728
Local Government Sector Education Training Authority	280,425	-
Human Settlement Grant	-	12,100,600
Municipal Water Infrastructure Grant	60,000,000	-
	<b>61,456,320</b>	<b>64,767,102</b>

### 14. Financial liability

Financial liability	-	80,787,121
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#### Non-current liabilities

Financial liability	-	80,787,121
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The amount represents the non current portion of the Rand Water debt.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>15. REVENUE</b>		
Agency services	9,574,719	9,925,851
Fines and penalties	6,224,388	1,151,980
Interest earned	114,063,173	9,570,022
Licences and permits	348,086	157,464
Other income	2,881,659	2,246,368
Property rates	168,493,460	160,249,805
Realisation of grants	1,081,238,703	896,026,074
Rental of facilities and equipment	822,908	883,939
Service charges	31,208,683	32,737,586
	<b>1,414,655,779</b>	<b>1,112,949,089</b>

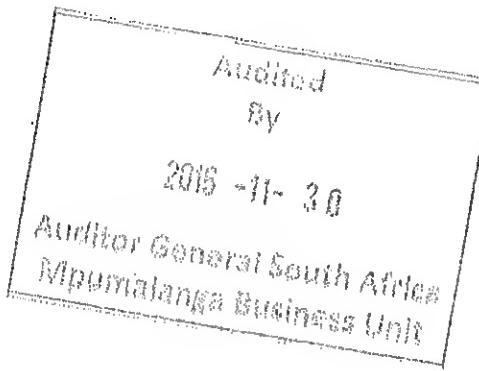
**THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:**

### TAXATION REVENUE

Property rates	168,493,460	160,249,805
<b>TRANSFER REVENUE</b>		
Government grants and subsidies	1,081,238,703	896,026,074
Fines and penalties	6,224,388	1,151,980

### 16. SERVICE CHARGES

Water reconnection fees	93,837	74,688
Sewerage and sanitation charges	3,065,924	3,047,664
Sale of water	22,575,254	24,183,618
Rebate -service charges	(518,925)	(433,620)
Refuse removal	5,992,593	5,865,258
	<b>31,208,683</b>	<b>32,737,586</b>



### 17. RENTAL OF FACILITIES AND EQUIPMENT

PREMISES	2016	2015
Premises	670,243	669,312
<b>FACILITIES AND EQUIPMENT</b>		
Rental of facilities	78,670	102,540
Rental of equipment	73,995	112,087
	<b>152,665</b>	<b>214,627</b>
	<b>822,908</b>	<b>883,939</b>

### 18. AGENCY INCOME

Agency services	9,574,719	9,925,851
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The municipality receives the 20% agents income on all funds collected on behalf of the Department of Safety Security and liaison.

### 19. LICENCES AND PERMITS

Licences and permits	348,086	157,464
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This represents funds received in relation to business, trading and traffic income licensing.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>20. OTHER INCOME</b>		
Administration fee	1,961	3,998
Amendment of names	2,287	14,050
Bond fee	41,311	39,781
Cemetery	54,544	36,587
Clearance certificates	4,151	13,628
Database registration	7,000	76,236
Library fees	10,335	6,045
Photocopies	88,917	36,603
Plan approval	36,909	65,931
Proof of residence	988,257	344,203
Sale of tender documents	615,702	51,347
Site fees	881	3,311
Site inspection	75,357	40,173
Sundry income	754,047	1,514,475
	<b>2,681,659</b>	<b>2,246,368</b>

## 21. INTEREST

### INTEREST REVENUE

Interest on investments	13,803,987	9,570,022
Interest on outstanding debtors	100,259,186	-
	<b>114,063,173</b>	<b>9,570,022</b>

The amount of R13 803 987 represents interest earned from positive bank balances maintained during the year.

The amount of R100 259 186 represents interest levied to outstanding debtors. Council approved a waiver in the charging of interest on outstanding debtors in prior year.

## 22. PROPERTY RATES

### RATES RECEIVED

Property rates	Audited	173,894,266	165,184,251
Less: Income forgone	By	(5,400,808)	(4,934,446)
		<b>168,493,460</b>	<b>160,249,805</b>

### VALUATIONS

Agriculture	94,845,000	94,845,000
Commercial	636,350,200	661,110,200
Public Benefit Organisations	24,910,000	50,733,000
Public Service Infrastructure	53,500	53,500
Residential	1,912,184,800	1,911,684,800
State	3,256,387,550	3,409,594,050
Vacant land	154,323,600	195,876,100
Municipality	242,467,500	21,885,500
Protected Area	23,335,673,000	23,335,673,000
Protected Area Business	550,665,000	550,665,000
Protected Area Residential	192,890,000	192,890,000
	<b>30,400,750,150</b>	<b>30,425,010,150</b>

Valuations on land and buildings are performed every 4 (four) years. The last general valuation done by Valuers Africa came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations. Various rates are used for the different categories which are applied to property valuations to determine assessment rates.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>23. REALISATION OF GRANTS</b>		
<b>Operating grants</b>		
Equitable Share	635,931,000	545,094,000
Financial Management Grant	1,675,000	1,600,000
Department of Water Affairs	16,941,070	3,058,930
Local Government Sector Education Training Authority	567,496	1,440,883
Municipal Systems Improvement Grant	930,000	934,000
Ehlanzeni District	-	450,000
Expanded Public Works Programme Grant	2,551,000	2,192,000
	<b>658,595,566</b>	<b>554,769,813</b>
<b>Capital grants</b>		
Integrated National Electrification Programme	7,731,686	3,492,419
Municipal Infrastructure Grant	398,393,123	271,323,877
Municipal Water Infrastructure Grant	-	4,540,565
Human Settlement Grant	12,100,600	61,899,400
Municipal Disaster Grant	4,417,728	-
	<b>422,643,137</b>	<b>341,256,261</b>
	<b>1,081,238,703</b>	<b>896,026,074</b>

### EQUITABLE SHARE

This grant is used to enable the municipality to provide basic services and perform functions allocated to it.

In terms of Section 227 of the Constitution, the Equitable Share Grant provides funding for the municipality to deliver free basic services to poor households and subsidises the cost of administration and other core services for the municipality.

### MUNICIPAL INFRASTRUCTURE GRANT

Balance unspent at beginning of year	32,235,123	-
Current-year receipts	366,158,000	303,559,000
Conditions met - transferred to revenue	(398,393,123)	(271,323,877)
	-	<b>32,235,123</b>

The grant is mainly used to fund infrastructure-related projects (mainly as part of services delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

### FINANCIAL MANAGEMENT GRANT

Current-year receipts	1,675,000	1,600,000
Conditions met - transferred to revenue	(1,675,000)	(1,600,000)
	-	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

### MUNICIPAL SYSTEMS IMPROVEMENT GRANT (MSIG)

Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(930,000)	(934,000)
	-	-

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>23. REALISATION OF GRANTS (continued)</b>		
<b>DEPARTMENT OF WATER AFFAIRS</b>		
Balance unspent at beginning of year	16,941,070	-
Current-year receipts	-	20,000,000
Conditions met - transferred to revenue	(16,941,070)	(3,058,930)
	<hr/>	<hr/>
	-	16,941,070
The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.		
<b>EHLANZENI DISTRICT</b>		
Current-year receipts	-	450,000
Conditions met - transferred to revenue	-	(450,000)
	<hr/>	<hr/>
The grant was used to fund the Chief Financial Officer's remuneration.		
<b>EXPANDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT</b>		
Current-year receipts	2,551,000	2,192,000
Conditions met - transferred to revenue	(2,551,000)	(2,192,000)
	<hr/>	<hr/>
The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.		
<b>INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME</b>		
Balance unspent at beginning of year	1,707,581	-
Current-year receipts	7,200,000	5,200,000
Conditions met - transferred to revenue	(7,731,686)	(3,492,419)
	<hr/>	<hr/>
	1,175,895	1,707,581
The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.		
<b>MUNICIPAL DISASTER GRANT</b>		
Balance unspent at beginning of year	1,782,728	-
Current-year receipts	2,635,000	1,782,728
Conditions met - transferred to revenue	(4,417,728)	-
	<hr/>	<hr/>
	-	1,782,728
The purpose of the grant is to provide for the immediate release of funds for disaster response.		
<b>LOCAL GOVERNMENT SECTOR EDUCATION TRAINING AUTHORITY</b>		
Current-year receipts	847,921	1,440,883
Conditions met - transferred to revenue	(567,496)	(1,440,883)
	<hr/>	<hr/>
	280,425	-
Conditions still to be met - remain liabilities (see note 13).		

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>23. REALISATION OF GRANTS (continued)</b>		
<b>HUMAN SETTLEMENTS GRANT</b>		
Balance unspent at beginning of year	12,100,600	-
Current-year receipts	-	74,000,000
Conditions met - transferred to revenue	(12,100,600)	(61,899,400)
	-	12,100,600

Conditions still to be met - remain liabilities (see note 13).

The purpose of the grant is to assist in the reticulation of water for the community through increased water storage capacity.

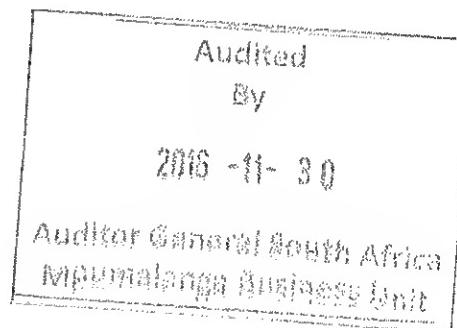
### MUNICIPAL WATER INFRASTRUCTURE GRANT

Balance unspent at beginning of year	-	4,540,565
Current-year receipts	60,000,000	-
Conditions met - transferred to revenue	-	(4,540,565)
	60,000,000	-

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

### CHANGES IN LEVEL OF GOVERNMENT GRANTS

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>24. Employee related costs</b>		
Acting allowances	1,664,886	1,002,365
Basic salary	214,716,271	191,270,585
Bonus	22,951,223	18,508,266
Car allowance	9,530,121	6,189,004
Housing benefits and allowances	2,157,789	2,269,413
Leave pay provision charge	(267,506)	4,710,001
Long-service awards	7,978,685	1,972,000
Medical aid	11,637,333	10,039,322
Overtime payments	3,269,457	2,611,987
Pension	41,381,795	34,518,042
SDL Contributions	2,560,847	1,882,870
Shift/Standby and other allowances	2,448,327	1,034,481
South African Local Government Association levies	288,339	159,689
Travel and related allowances	4,573,858	2,840,352
UIF contributions	1,350,971	1,178,866
	<b>326,242,396</b>	<b>280,187,243</b>

### REMUNERATION OF MUNICIPAL MANAGER

	<i>Audited By 2016 - 11 - 30 Auditor General South Africa Municipalities Business Unit</i>	
Remuneration	793,633	541,965
Car Allowance	517,783	238,300
Performance Bonuses	15,702	-
Contributions to UIF, Medical and Pension Funds	14,153	6,373
Gratuity	-	1,197,432
Rural allowance	6,595	-
Other	20,643	7,317
	<b>1,368,509</b>	<b>1,991,387</b>

The Municipal Manager Mr C Lisa was appointed in January 2015.

### REMUNERATION OF CHIEF FINANCIAL OFFICER

Remuneration	1,167,052	1,115,529
Car Allowance	233,532	228,135
Performance Bonuses	34,548	-
Contributions to UIF, Medical and Pension Funds	60,061	56,448
Other	3,722	16,673
	<b>1,498,915</b>	<b>1,416,785</b>

Mrs CA Nkuna was the Chief Financial Officer during the year under review.

### REMUNERATION OF TECHNICAL SERVICES DIRECTOR

Remuneration	651,554	542,131
Car Allowance	425,564	358,081
Performance Bonuses	-	8,500
Contributions to UIF, Medical and Pension Funds	11,792	10,210
	<b>1,088,910</b>	<b>918,922</b>

Mr E Mashava was the Technical Director during the year under review.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>24. Employee related costs (continued)</b>		
<b>REMUNERATION OF CORPORATE SERVICE DIRECTOR</b>		
Remuneration	652,912	547,885
Car Allowance	408,896	338,668
Performance Bonuses	25,855	-
Contributions to UIF, Medical and Pension Funds	27,074	23,814
Other	779	8,233
	<b>1,115,516</b>	<b>918,600</b>

Mr R Khoza was the Director Corporate and Human Resources during the year under review.

### REMUNERATION OF LOCAL ECONOMIC DEVELOPMENT, PLANNING AND ENVIRONMENT DIRECTOR

	Audited	By	480,024
Remuneration	603,819	391,214	364,824
Car Allowance	10,342	55,941	42,741
Performance Bonuses	55,941	47,733	52,192
Contributions to UIF, Medical and Pension Funds	2,065	1,111,114	-
Bonus			8,430
Other			<b>948,211</b>

Mrs S Mogokane was the Director for Local Economic Development, Planning and Environment for the year under review.

### REMUNERATION OF COMMUNITY SERVICES DIRECTOR

Remuneration	651,552	361,420
Car Allowance	425,564	240,947
Contributions to UIF, Medical and Pension Funds	14,248	8,786
Other	2,587	-
	<b>1,093,951</b>	<b>609,153</b>

Dr LZ Mkhabela was the Director for Community Services Directorate. He was appointed in November 2014.

### 25. REMUNERATION OF COUNCILLORS

Mayor	788,561	892,785
Mayoral committee members	4,418,899	2,003,787
Speaker	637,459	701,262
Councillors	19,543,312	25,142,191
	<b>25,388,231</b>	<b>28,740,025</b>

### IN-KINO BENEFITS

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is provided with a Council owned vehicle for official duties.

The Executive Mayor has two full-time bodyguards.

### 26. DEPRECIATION AND AMORTISATION

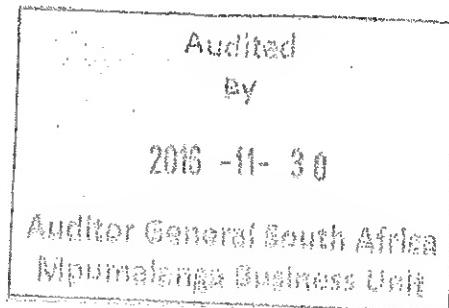
Property, plant and equipment	<b>76,865,599</b>	<b>80,059,722</b>
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# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>27. FINANCE COSTS</b>		
Interest	<u>2,770,676</u>	<u>773,599</u>
The interest disclosed is mainly current interest cost for the year.		
<b>28. DEBT IMPAIRMENT</b>		
Debt impairment	<u>114,749,428</u>	<u>49,589,427</u>
<b>29. REPAIRS AND MAINTENANCE</b>		
Repairs and maintenance	<u>36,295,408</u>	<u>31,881,099</u>
<b>30. BULK PURCHASES</b>		
Water	<u>206,124,842</u>	<u>208,977,289</u>
<b>31. CONTRACTED SERVICES</b>		
Information technology services	3,195,431	4,780,317
Insurance	6,863,581	5,266,577
Service level agreements	4,387,971	1,336,493
Specialist services	3,437,921	7,794,252
Security services	24,786,864	22,517,473
	<u>42,671,768</u>	<u>41,695,112</u>
<b>32. GRANTS FUNDED EXPENDITURE</b>		
<b>OTHER SUBSIDIES</b>		
Free basic services	<u>37,066,989</u>	<u>14,871,751</u>



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

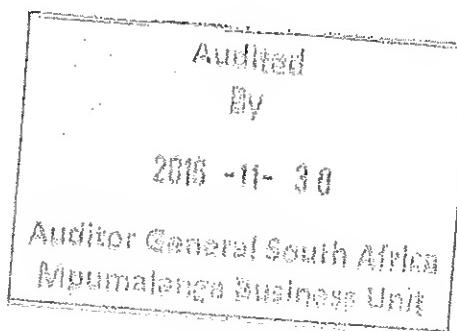
Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>33. GENERAL EXPENSES</b>		
Advertising	417,102	647,834
Audit committee allowance	178,741	154,980
Auditor's remuneration	4,581,059	5,661,289
Bank charges	373,937	177,735
Cash in transit security	595,855	22,920
Donation	129,305	42,836
Communication services	671,992	394,723
Community development and training	2,331,801	1,603,948
Community service expenditure	5,790,129	2,226,623
Conferences and seminars	3,543,287	3,539,475
Electricity	8,728,918	6,599,110
Fuel	3,430,223	3,404,403
Land use management	989,575	-
Legal fees	3,742,296	2,570,120
Library services and daily newspapers	-	11,869
Local economic development expenses	3,591,434	3,047,137
Occupational health	311,084	392,949
Other municipal operational expenses	4,898,610	4,538,399
Postage and courier	32,510	14,876
Printing and stationery	2,283,873	1,809,188
Protective clothing	1,388,285	473,580
Refreshments	444,450	472,053
Rental of plant and equipment	3,124,008	3,306,596
Software expenses	662,897	918,805
Subscriptions and membership fees	3,468,856	3,533,510
Telephone and fax	6,932,153	7,740,280
Traffic expenses	3,826,617	2,229,880
Training	3,509,311	1,866,788
Travel - local	145,553	38,117
Water services expenses	6,990,465	567,945
	<b>77,114,326</b>	<b>58,005,728</b>

## 34. AUDITORS' REMUNERATION

Fees	<u>4,581,059</u>	<u>5,661,289</u>
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# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>35. CASH GENERATED FROM OPERATIONS</b>		
Surplus	467,972,215	318,089,558
<b>ADJUSTMENTS FOR:</b>		
Depreciation and amortisation	76,865,599	80,059,722
(Loss) gain on sale of assets and liabilities	(1,072,093)	348,578
Debt impairment	114,749,428	49,589,427
Movements in provisions	3,598,644	(11,026,350)
Asset valuation adjustment	-	(748,898)
Realised income	3,651,719	-
Equitable share realised but not received	-	147,631,000
Project accruals	(74,414,060)	-
Interest on landfill sites	-	773,599
Actuarial gains (loss)	(2,465,994)	(984,000)
<b>CHANGES IN WORKING CAPITAL:</b>		
Inventories	(2,353,307)	(1,479,735)
Receivables from exchange transactions	(176,890,138)	(5,943,216)
Receivables from non-exchange transactions	120,622,397	(169,871,864)
Interest on outstanding debtors	(100,259,186)	-
Payables from exchange transactions	39,828,862	(93,255,733)
VAT	(10,366,249)	(3,079,430)
Unspent conditional grants and receipts	(3,310,782)	60,226,537
Consumer deposits	1,765	200
Financial liability	(80,787,121)	-
Fines	-	(1,022,773)
	<b>375,371,699</b>	<b>369,306,622</b>

## 36. COMMITMENTS

### AUTHORISED CAPITAL EXPENDITURE

#### APROVED AND CONTRACTED FOR:

- Property, plant and equipment
- Upgrading of IT Infrastructure

Authorised	448,508,023	317,980,927
By	2,713,705	-
	<b>451,221,728</b>	<b>317,980,927</b>
2016 -11- 30		
Auditor General South Africa	451,221,728	317,980,927
Mpumalanga Business Unit		

### TOTAL COMMITMENTS

Authorised capital expenditure

### AUTHORISED OPERATIONAL EXPENDITURE

This committed expenditure relates to plant and equipment and will be financed by inter alia grant funds, existing cash resources and funds internally generated. The commitments disclosed is inclusive of VAT.

### OPERATING LEASES - AS LESSEE (EXPENSE)

#### MINIMUM LEASE PAYMENTS DUE

- within one year	4,796,494	-
- in second to fifth year inclusive	7,994,156	128,194
	<b>12,790,650</b>	<b>128,194</b>

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

Nashua Lowveld supplied forty photocopying machines to the municipality for a period of 36 months at 0% escalation.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

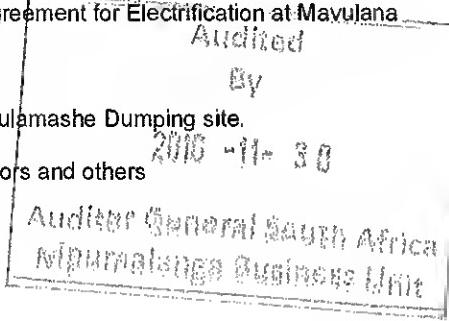
Figures in Rand	2016	2015
<b>37. CONTINGENCIES</b>		
Contingencies arising from pending litigation on contractual disputes and damage claims:		
Litigation is in process against the municipality relating to several contractual disputes and claims for damages. As the conclusion of the processes is dependent on the setting of dates by the respective courts, the timing of the economic outflow is therefore uncertain. Amounts disclosed do not include legal fees. Details of the claims are listed below:		
<b>CONTINGENT LIABILITIES</b>		
1. Gloria Basie	310,000	310,000
The case is in relation to demolition of illegal structures.	-	-
2. Bigen Africa	-	450,000
A claim against the Municipality. Judgement against the municipality was granted.	-	-
3. Joz's Partanose Electronics	-	31,000,000
A claim for damages against the Municipality.	-	-
4. Bannie Jacob Ngubeni	300,000	300,000
A claim for damages suffered as a result of demolition.	-	-
5. Chief Madala Nkuna	-	300,000
Defending Chief Nkuna Malubana who is being sued.	-	-
6. Niloti/Ex Service Construction	1,138,700	1,138,700
A claim against the municipality for servicing the Thulamahashe sites.	-	-
7. MGN Security	149,454	149,454
The case is for allegedly providing security services around 2007 for which the claims were never submitted to the Municipality until 2009.	-	-
8. Turquoise Moon Trading	-	12,166,912
Claim for damages as a result of termination of contract.	-	-
9. Turquoise Moon Trading	90,922	90,922
Claim for fixing of Mkhuhlu traffic lights.	-	-
10. Molemo Consulting Engineers	2,102,582	2,102,582
Claim for variation order of rate increases for imported pipes.	-	-
11. Makaula Zilwa Inc / MNB Chartered Accountants JV	4,517,135	4,517,135
An alleged claim for services rendered.	-	-
12. B.T Monareng Construction	-	700,000
A claim against the municipality. The municipality filed a counter claim for overpayment of R500 000.	-	-
13. Mr Mayinga	-	900,000
Thulamahashe dumping site claim for damages.	-	-
14. Dumanta Trading CC	360,547	360,547
Claim for payment of construction of rising mainline with a 75mm class 9 upvc pipeline. Appointment made by former Bohlabela District.	-	-
15. Caroline Velaphi Malope	3,305,000	3,305,000
Defending the claim against damages. Notice in terms Rule 30 (1) served and await response from plaintiff attorneys.	-	-
16. Malo Construction	10,180,646	10,180,646
A claim for alleged non-payment of bulk water supply project.	-	-

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2016
<b>37. CONTINGENCIES (continued)</b>		
17. Eumango Business Enterprise The contractor was appointed without following due SCM processes .	-	4,574,182
18. Alfa Tool and Equipment SCM due processes were not followed. The municipality is still investigating the appointment of the service provider.	-	683,631
19. Kebatla Building and Civil Contractor (Pty) Ltd SCM processes were not followed on the appointment of the service provider.	-	92,289
20. Ngwenyana Swenkie A claim for damages as a result of spillage of Municipal reservoir.	100,000	-
21. Ayeno Gabri A claim as a result of assault and arrest by traffic officers.	600,000	-
22. Tsebo Brothers Holdings A claim as a result cancellation of agreement for Electrification at Mayulana Phase 2.	4,050,157	-
23. Mulikwa Fanie Mayinga A claim for damages as result of Thulamasho Dumping site.	2,475,000	-
24. Coshlwe Melina on behalf of minors and others Claim for damages.	600,000	-
25. Hwali Business Enterprises A claim for services rendered.	4,364,330	-
	<b>34,644,473</b>	<b>73,322,000</b>



## 38. RELATED PARTIES

Related party transactions consist mainly of the supply of goods or services to the municipality. The businesses are owned by close family members of staff, as detailed below.

MATLALA NYAPELE: Relation: Ms Moripe, an SCM Practitioner with the municipality, is sister to Mr Moripe of Matlala Nyapele.

## RELATED PARTY BALANCES

### AMOUNTS INCLUDED IN TRADE PAYABLE REGARDING RELATED PARTIES

Matlala-Nyapele/Xipunu Construction JV	354,361	4,386,312
Mthembu Nkuna Attorneys	-	221,589
Matlala Nyapele Investment and Properties	-	268,295
	<b>354,361</b>	<b>4,876,196</b>

## 39. PRIOR PERIOD ERRORS

### 2014-15 Adjustments:

1. Property, plant and equipment corrections are due to unit rates and adjustment to land values.
2. Payables from exchange transaction adjustment relates to cut off errors and reclassification of bulk water disputed invoices to provision.
3. VAT was restated due to the adjustments in payables.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>39. PRIOR PERIOD ERRORS (continued)</b>		
4. Provision- the adjustment was due to the reclassification of bulk water disputed invoices to provision.		
5. License and permits- the correction was done to realise the income and liability.		
6. Depreciation and armotisation corrections were due to asset value adjustments.		
7. General expenses- the correction was due to cut off errors done in the year under review.		
8. Irregular expenditure- the municipality reviewed the whole population to ensure all the irregular expenditure was accounted for,		
<b>Statement of Financial Position</b>		
Increase in surplus	-	(138,154,067)
Property, plant and equipment	-	134,928,454
Payables from exchange transactions	-	21,745,651
VAT receivable	-	576,987
Provisions	-	(29,068,537)
Receivable from Non exchange transactions	-	11,400
Rounding differences	-	47
Decrease in surplus	-	9,960,065
<b>Statement of Financial Performance</b>		
Licences and permits	-	(3,140,811)
Repairs and maintenance	-	(4,059,830)
Depreciation and armotisation	-	(3,548,346)
General expenses	-	1,199,323
(Loss) or gain on disposal of assets	-	(182)
Employee related costs	-	963,227
Remuneration of councillors	-	(975,601)
Contracted services	-	(397,847)
Rounding differences	-	2
Decrease in surplus	-	(9,960,065)
<b>Irregular Expenditure</b>		
Irregular expenditure	-	774,299,274
Additional irregular expenditure -Rand water	-	114,942,266
Irregular expenditure identified after 2014-15 audit	-	596,741
	-	889,838,281
<b>2013/14 Adjustment</b>		
Increase in 2013/14 surplus	-	(251,677,213)
Property, plant and equipment	-	251,677,213
	-	
<b>2013-14 Adjustments</b>		
Property, plant and equipment corrections are due to unit rates and adjustment to land values. The correction of the error(s) resulted in adjustments as indicated above.		



# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>39. PRIOR PERIOD ERRORS (continued)</b>		
<b>Commitments</b>		
Authorised capital expenditure	-	317,980,927
Authorised operational expenditure	-	11,560,724
Adjustment to operational expenditure	-	(11,560,724)
	<hr/>	<hr/>
	-	<b>317,980,927</b>

## 40. RISK MANAGEMENT

### LIQUIDITY RISK

The municipality's risk to liquidity as a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

### CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2016	2015
FNB Bank	67,211,189	206,012,408
Standard Bank	68,275,439	7,426,960
Receivables from exchange transactions	219,602,240	157,101,430
Receivables from non exchange transactions	332,508,714	453,131,111
Payables from exchange transactions	(457,699,696)	(502,342,760)

## 41. EVENTS AFTER THE REPORTING DATE

The Municipal elections were held on the 3rd of August 2016 which gave rise to new Council being sworn in on the 18th of August 2016. Whilst it is acknowledged that the outgoing councillors were largely responsible for presiding over the financial transactions and any resolutions that were taken during their tenure, there is a possibility that as the audit progresses there may be significant resolutions and judgements taken with the support of the new council. The new council will be responsible for the submission of the annual financial statements, report on performance management and any significant resolutions and judgements made in connection with these reporting statements.

## 42. UNAUTHORISED EXPENDITURE

Opening balance	346,752,979	299,223,979
Add: Unauthorised expenditure transactions	65,110,000	47,529,000
	<hr/>	<hr/>
	<b>411,862,979</b>	<b>346,752,979</b>

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

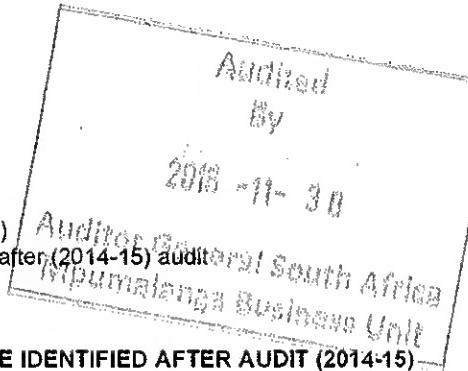
## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>43. FRUITLESS AND WASTEFUL EXPENDITURE</b>		
Opening balance	55,666	-
Auditor General	12,682	-
Eskom	260,875	-
SARS penalty and interest	61,149	-
Prior year	-	55,666
	<b>390,372</b>	<b>55,666</b>

Fruitless and wasteful expenditure for the current year is largely composed of Auditor General and Eskom. Invoices were delayed in reaching the municipality due to Post Offices delays.

## 44. IRREGULAR EXPENDITURE

Opening balance	889,838,281	702,717,040
Add: Irregular Expenditure -current year	26,147,379	71,642,234
Water reticulation-Rand Water	105,984,142	114,942,266
Electrification of households	1,808,044	-
Water supply infrastructure	285,603,862	-
Paving and upgrading of internal streets	28,298,310	-
Other	6,304,080	-
Less: Amounts recoverable (not condoned)	-	(60,000)
Additional irregular expenditure picked up after (2014-15) audit	-	596,741
	<b>1,343,984,098</b>	<b>889,838,281</b>



### DETAILS OF IRREGULAR EXPENDITURE IDENTIFIED AFTER AUDIT (2014-15)

Electrification of Croquetlawn (BLM/EL005/2013/14 - Morwa-Motsho/Lefamafa	73,465
Electrical JV	
Electrification of Hluvukani Ext. BLM/EL006/2013/2014-AES Consulting/Rolinda	55,652
Construction	
Refurbishment of Kildare booster pump station to Cunningmore B reservoir pipeline	111,289
BLM/REF4/2012/13- Yellow Train Trading/Loge	
Construction JV	
Upgrading of internal street- Thulamahashe section C phase 3-MIG/MP/1082/RST/11/14/E-	266,961
Gikha construction& projects	
Refurbishment of Zoeknog Main Package Plant, BLM73/13/14-03-Dakalo Investment/Ntlemo JV	89,375
	<b>596,742</b>

### IRREGULAR EXPENDITURE INVESTIGATIONS

Irregular expenditure for the 2012/13 and prior was investigated by the Special Investigations Unit (SIU). The 2013/14 and 2014/15 irregular expenditure was investigated by Sedupi & Melja Consulting (Pty) Ltd. Both investigations have been completed.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

Figures in Rand	2016	2015
<b>45. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>CONTRIBUTIONS TO ORGANISED LOCAL GOVERNMENT</b>		
Opening balance	241,037	270,107
Current year subscription / fee	3,471,760	2,536,251
Amount paid - current year	(3,023,950)	(2,565,321)
	<b>688,847</b>	<b>241,037</b>
<b>DISTRIBUTION LOSS</b>		
Billed (Note 16)	22,575,254	24,183,616
Add; Free basic water	76,420,991	81,533,119
Bulk purchases (Note 30)	(206,124,842)	(208,997,289)
	<b>(107,128,597)</b>	<b>(103,280,554)</b>
<b>AUDIT FEES</b>		
Current year fees	4,581,059	5,661,289
<b>PAYE, SDL AND UIF</b>		
Opening balance	(286,988)	2,579,248
Current year subscription	49,055,033	49,927,303
Amount paid - current year	(48,768,045)	(52,793,538)
	<b>-</b>	<b>(286,987)</b>
<b>PENSION AND MEDICAL AID DEDUCTIONS</b>		
Opening balance	(1,184,765)	5,111,285
Current year subscription	79,782,486	70,707,082
Amount paid - current year	(78,597,721)	(77,003,132)
	<b>-</b>	<b>(1,184,765)</b>
<b>VAT</b>		
VAT receivable	<b>88,579,205</b>	<b>78,212,956</b>

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

# BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements for the year ended 30 June 2016

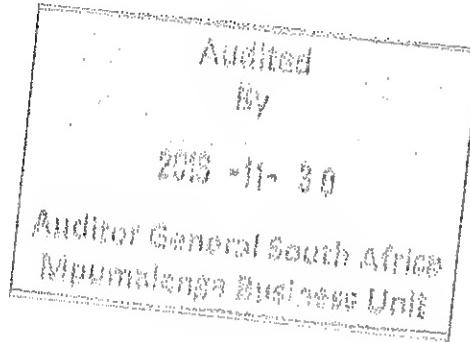
Figures in Rand	2016	2015
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### 45. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

#### COUNCILLORS' ARREAR CONSUMER ACCOUNTS

The following Councillors had arrear accounts outstanding as at 30 June 2016:

30 June 2016	Outstanding less than 90 days	Outstanding more than 90 days	Total
Khumalo RE	700	187	887
Malibe D	20,321	1,501	21,822
Malope A	3,387	267	3,654
Mashego D	3,915	294	4,209
Siwela F	7,284	641	7,925
	<b>35,607</b>	<b>2,890</b>	<b>38,497</b>
30 June 2015	Outstanding less than 90 days	Outstanding more than 90 days	Total
Bongco BP	517	7,027	7,544
Khumalo RE	80	2,332	2,412
Lebyane Ms	601	19,294	19,895
Malibe HD	408	14,240	14,648
Malope A	80	2,734	2,814
Mashaba ME	879	33,097	33,978
Mashego D	281	5,082	5,383
Nxumalo TA	547	13,873	14,420
Sibuyi FF	(25)	239	214
Siwela F	201	5,694	5,895
	<b>3,569</b>	<b>103,612</b>	<b>107,181</b>



#### SUPPLY CHAIN DEVIATIONS

Emergencies	13,104,966	-
Specialised services	527,315	-
Health risk	1,390,476	-
Promotion of inter-governmental relation	15,276,981	-
Prior year	-	7,710,492
	<b>30,299,738</b>	<b>7,710,492</b>